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SOCIETY FOR HUMAN  
RESOURCE MANAGEMENT

## International HRM case study notes

International HRM • Fiona Robson • April 2008

# A brief introduction to International HRM

## Part One



## The context of international HRM

- Many organizations now operate across a number of different countries
- All of their subsidiaries have to be managed and operated
- Organizations can take different approaches to how they will manage their employees across different subsidiaries
  - > Ethnocentric
  - > Polycentric
  - > Geocentric

## Ethnocentric approach

The characteristics of an ethnocentric approach are:

- Home country oriented
- Managers tend to be from the home country (Headquarters of the organization)
- Home country policies and practices are likely to be used in the subsidiaries
- Knowledge from the home country is seen as the most useful
- The organization tries to replicate the corporate culture
- Consistency is gained across subsidiaries
- Economies of scale may be gained as subsidiaries follow the same recipe

## Polycentric approach

The characteristics of a polycentric approach are:

- Centres around the host country
- Host country nationals will usually fill management positions
- Managers usually report to the parent country (Headquarters) but have autonomy to make decisions
- There is not an exact corporate culture
- HR policies and procedures are usually adapted from the parent company (HQ) so that they are more in line with requirements of the subsidiary (and the context in which it is situated)
- Limited controls/interventions from parent company
- Fewer language and cultural barriers

## Geocentric approach

The characteristics of a geocentric approach are:

- Looks for the best person for a specific job, regardless of nationality
- Managers usually have previous international management experience
- Has a more collaborative approach between the parent company and its subsidiaries
- Communication is a more two way and interactive process
- Facilitates the development of an international team of employees
- Aims to develop the best people

## Types of staff

- **Parent country nationals (PCNs)**
  - > Are employees from the country in which the organization is based (Headquarters)
- **Host country nationals (HCNs)**
  - > Are employees from the country in which the subsidiary is based i.e. A French person working in an organization based in France
- **Third country nationals (TCNs)**
  - > Are employees who are working in a different country (i.e. Not a PCN or TCN)

## Advantages and disadvantages of **PCNs**

Advantages	Disadvantages
Familiarity with the parent organisation's goals, objectives, policies and practices	Difficulties in adapting to the foreign language and the socioeconomic, political, cultural and legal environment
Technical and managerial competence	Excessive costs involved in selecting and developing expatriate managers
Effective liaison and communication with parent country staff	Family adjustment problems

Source: Harzing and Van Ruysseveldt (2007:254)



## Advantages and disadvantages of **HCNs**

Advantages	Disadvantages
Familiarity with the socioeconomic, political and legal environment and with business practices in the host country	Difficulties in exercising effective control over the subsidiary's operation
Lower costs incurred in hiring staff in comparison to PCNs and TCNs	Communication difficulties in dealing with the parent company
Provides opportunities for advancement and promotion to local nationals and increases their commitment and motivation	Lack of opportunities for the home country's internationals to gain international and cross cultural experiences
Responds effectively to the host country's demands	

Source: Harzing and Van Ruysseveldt (2007:254)

## Advantages and disadvantages of TCNs

Advantages	Disadvantages
Perhaps the best compromise between securing needed technical and managerial expertise and adapting to a foreign cultural environment	Host country's sensitivity with respect to nationals of certain countries
TCNs are usually career international business managers with a wealth of experience	Local nationals are impeded in their efforts to upgrade their own ranks and assume responsible positions
TCNs are usually less expensive to maintain than PCNs	
TCNs may be better informed about their host environment than PCNs	

Source: Harzing and Van Ruysseveldt (2007:254)

## Focusing on the use of expatriates

- Expatriates are employees who go to work in another country
- They can either work for the organization already in their home country or can be recruited externally
- Their assignments can vary in length and purpose. From short visits of days/weeks to longer terms of months/years
- The cost of using expatriates is high so it is essential that they are carefully selected and developed
- Effective pre-departure training is essential to support the employee to adapt to a new culture and country – as well as a new job

## Key issues in dealing with expatriates

- Reporting structures – in home and host country
- Where are the key decisions made?
- How will their performance be managed?
- How can they be supported and developed?
- Understanding the importance of culture
- Dealing with problems
- How will the HCNs respond to them?

# Introduction to Brunt Hotels PLC

## Part Two

## An overview of Brunt Hotels PLC

- Brunt Hotels PLC is a national chain of hotels in the UK
- There are currently 60 hotels throughout the UK, including 20 in London
- The organization's revenue was over £220 million (\$440million) last year
- They currently have over 7000 employees

## Plans for the future

- They have recently acquired a small chain of hotels located in France from the Bradley Group.
- Half of the new hotels in France will be retained and will be re-branded as part of Brunt Hotels PLC. The other half of the hotels will be sold.
- The organization has decided that they want to implement an ethnocentric approach whereby they send some of their existing managers (based in the UK) over to France to lead the change-over of the new hotels and then to manage them when they re-open.



## Your role in this case study

- The organization has never owned any overseas hotels before so has engaged your services as external consultants to advise them on all of the key decisions.
- You will be working in **three separate groups as Independent Management Consultants**. You will be required to present appropriate suggestions and recommendations to the questions and activities that are provided.



## Information provided to Consultants

- A large number of their existing managers have said that they would like the chance to work abroad
- None of their existing managers can speak French
- They will allow 4 weeks in which the re-branding of the hotels should take place and then the new hotels must be ready to open
- They expect to have to recruit a large number of staff to the new French hotels because over 70% of the employees have left to join new organizations
- They will require their managers to be flexible and move between different countries if any problems arise

# Recruiting and Selecting International Staff

## Part Three

## Focus on expatriates

- It is important to choose the right person for the job as expatriates are expensive for organizations
- There are many implications of expatriate failure, including:
  - > Replacement cost (selection, training, salary)
  - > Disruption to the organization
  - > Possible reduction in productivity
  - > Negative impact on relationship with customers and suppliers
  - > Negative impact on the morale of colleagues
  - > The impact on the failed expatriate – may find it difficult to get another job in the organization

## Recruiting expatriates

- Organizations can choose to do this internally, externally or both
- For management positions, many organizations look internally
- The process may be open to all employees or closed to a selected number of candidates
- The process involved may be formal or informal
- Some organizations are out-sourcing part of this process to provide more objectivity

## Selecting expatriates

- A variety of methods can be used:
  - > Interviews
    - Formal
    - Informal
  - > Computer-based tests
  - > Simulations which help the candidates to understand the environment they would be working in – this may help to avoid culture shock
  - > Role-plays
  - > Group activities
  - > Practical tasks
  - > Communication-based tests

## Topics for selection activities

- What sort of subjects should be covered?
  - > Technical competence
  - > Language skills (if appropriate)
  - > Cultural adaptability
  - > Communication skills
  - > Ability to work in different environments
  - > Relational abilities – “the ability of the individual to deal effectively with his/her superiors, peers, subordinates, business associates and clients” (Harzing and Van Ruysseveldt, 2007:268)
  - > Problem-solving ability
  - > Awareness of issues involved in international management

## Why do expatriates fail?

- They can not adjust to the culture of the new country
- Their partners or children can not settle into the new country
- The working environment may be very different to what the expatriate is used to
- They are unable to fit into the culture of the organization
- They underestimated the challenges involved
- The task that they were given was unachievable
- External factors